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# FOREIGN POLICY BULLETIN

*An interpretation of current international events by the Research Staff of the Foreign Policy Association*

FOREIGN POLICY ASSOCIATION, Incorporated

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## BIZONAL PLAN DESIGNED TO BOLSTER WESTERN GERMANY UNDER ERP

GERMANY is one of most important factors in the proposed European Recovery Program (ERP). This far-reaching program assumes not only that a return of Western Europe to a self-supporting basis will be promoted by the revival of Ruhr-Rhineland industry, but also that rehabilitation will so increase the political and economic strength of the West that Moscow will be forced to accept a compromise on the German peace settlement once it is again under consideration. The point that the ERP is intended to develop the bargaining power of the West in deciding the fate of Germany has been underscored by Secretary Marshall in his recent statements on American policy. In a speech in Pittsburgh on January 15, he recalled that the intransigent position taken by the U.S.S.R. at the Moscow meeting of the Council of Foreign Ministers last spring had "brought us to the important conclusion that we face the choice of quitting Europe altogether or of completing the task of European recovery." Earlier, in a report of December 19 on the failure of the London sessions of the Council, Secretary Marshall developed this point at greater length. "The fundamental reason for the frustration we have encountered," he said, is the determination of Moscow to capitalize on the "political vacuum" created by the war-shattered economy of Europe. Therefore, "until this vacuum has been filled by the restoration of a healthy European community, it does not appear

possible that paper agreements can assure a lasting peace." In short, the ERP is the keystone of American foreign policy in Europe in general, and of American policy toward Germany in particular.

NEW BIZONAL ECONOMIC SETUP. The unsuccessful Big Four negotiations at Moscow and London have resulted in renewed efforts on the

part of British and American occupation authorities to increase the output of Western Germany. The first step was an economic merger of the two zones, which became effective on January 1, 1947, followed by an upward revision of the permitted level-of-industry in an agreement announced on August 29. These decisions were in turn implemented by special measures to increase production, including extra rations for coal miners.

The results thus far, however, have been disappointing. Output in the bizonal area in November was roughly 44 per cent of the 1936 level. Coal production, according to a statement by General Clay on January 18, has declined from a post-war peak of 284,000 tons daily in November to 236,000 tons on January 2. In the meantime, bonus rations given only to miners have caused complaints among steelworkers and others, whose plight has been accentuated by the breakdown of the normal distribution of such indigenous food supplies as are available. More and more German-produced food has gone into the black market. Recently, even this flow has declined, since the farmers are hoarding their stocks in anticipation

### BULLETIN TO CARRY NEW FEATURES

Beginning with the issue of March 5, the *Foreign Policy Bulletin* will appear in somewhat altered form and will introduce two new features which, it is hoped, will enhance its value to FPA members.

Through slight enlargement of the page and adoption of different typography, the *Bulletin's* weekly interpretation of world affairs will be carried without curtailment in the first three pages. The new features will be: 1) a fourth page devoted to news of FPA activities throughout the country; and 2) brief note on undercurrents in world events that will be making tomorrow's headlines.

*Members of the FPA are urged to send to the Editor any suggestions they may have for increasing the usefulness of the BULLETIN.*

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ELECTRONIC REPRODUCTION PROHIBITED

of a drastic revision of the now inflated currency system. In brief, the food situation in the bizonal economy has reached a critical point, and protest strikes are rapidly increasing. Publication by the British Foreign Office on January 15 of "Protocol M," which purports to set forth the Communist plans to oppose the ERP by disrupting German economy, has caused greater concern about the situation. However, subsequent reports from the Ruhr indicate that many local Communists oppose politically-motivated work stoppages.

The position taken by the Anglo-American occupation authorities is that the food problem is the responsibility of the Germans, who must act through their Economic Council. To provide for more effective administration of the bizonal economy, and at the same time prepare Western Germany for a key role in the ERP, an agreement was reached on January 7 and 8 with leading German officials for establishment of a new system of economic controls. The size of the Council is doubled, and enforcement of its decisions on the eight Laender (state governments) will be made possible by a new supreme court. A central bank with power to issue currency will also be created. Introduction of a bizonal currency system, however, will be delayed pending further efforts to reach an agreement on this subject with France and the Soviet Union. This new program, according to Western spokesmen, is only a temporary development, and "bizonia" will not become a separate German state.

Soviet spokesmen, however, reject this explanation and insist that the true purpose is a permanent division of Germany. The French government, for its part, is also highly critical of the project, and not only because it was not invited to share in drafting the details. More specifically, the complaint is made by Paris that this plan unduly limits the authority of the Laender and thus jeopardizes an eventual federalized scheme for Germany, favored by the

French. Fear is also expressed that serious reprisals will be taken by Moscow. One example of this, it is noted, is a veiled but firm invitation to the Western powers to withdraw from Berlin, which was published in the local Soviet Army newspaper on January 11.

**WESTERN GERMANY AND THE ERP.** Given the important role of France and the Low Countries in the ERP, it might have been expected that their participation in drafting the new bizonal economic administration plan would have been sought by the other two Western powers. Such a policy, however, has not been followed, even though these members of the ERP are vitally concerned lest Germany once again become a threat to their security. The French government has conceded that a larger bizonal output is essential to a prosperous Europe—a view shared by other members of the Paris Conference. At the same time, France has insisted that Ruhr steel production must not be increased more rapidly than that of neighboring countries. The reply of the State Department to this thesis was set forth again in the "Outline of European Recovery Program" submitted to Congress on December 19 in support of the President's message on foreign aid. According to this document, "German reconstruction has no priority," and "every precaution must be taken against a resurgence of military potential in Germany." Since the dollar requirements of the combined Anglo-American zone under the Marshall program are estimated at over \$2.5 billion—only Britain, France and Italy will receive larger sums—it is unlikely that French fears of German aggression will be fully allayed unless specific safeguards are incorporated in the ERP. For although Germany remains divided, its economic power is largely in the western zones, which even now have an industrial capacity outranked only in the United States.

HAROLD H. HUTCHESON

## UN FACES PROBLEM OF ENFORCING PALESTINE PARTITION

The hope that the United Nations plan to partition Palestine might be carried out peacefully has been dimmed by events since that decision was taken on November 29. For continued violence in the Holy Land has brought the death toll of both Jews and Arabs to about a thousand, and scores of Jews in other areas of the Middle East have also been killed. The newly appointed five-member UN Commission on Palestine, made up of delegates from Czechoslovakia, the Philippines, Denmark, Bolivia and Panama, must prepare therefore to supervise establishment of the proposed Jewish and Arab states amid conditions which may jeopardize partition from the outset. Because of the special nature of the Palestine problem, moreover, clear-cut failure to back

up the UN decision on the part of those members which voted to split the Holy Land would also constitute another severe blow to the UN itself.

**WILL THE UN USE FORCE?** Only one month after adoption of partition and several months before the UN Commission will go to Palestine, the crucial question has arisen whether an outside military force can be organized to impose division. Unlike the Jewish Agency in the Holy Land, Arabs in Palestine have refused to cooperate with the UN group. Arabs in the surrounding states of the Arab League continue their threats in defiance of the UN decision and warn that, once British troops are completely withdrawn, the League will openly attack the Jewish state. Meanwhile, on December 5 the United

States imposed an arms embargo on sending of military equipment to the Middle East. This action has in effect cut off Zionist forces in Palestine from needed arms supplies, while neighboring Arab states are still buying arms from Britain under previously arranged treaty contracts.

The UN Commission has been urged by Moshe Shertok of the Jewish Agency to send an international military body to Palestine, or recognize the Haganah as the Jewish militia and thus authorize it to receive arms and other equipment from abroad. But the proposal for an international force, offered for the Commission's official consideration by its secretariat on January 16, did not specify whether UN troops should be made up of nationals of small nations or those of the great powers. Serious objections may be raised to any plan to send troops of the major nations into Palestine. The United States and, in particular, many members of the State Department staff, have opposed great power participation in any such international militia out of fear that this would bring Russian troops to the heart of the Arab world. Equally objectionable from Washington's point of view would be the necessity of sending American troops to Palestine, thus increasing the anti-American feeling that has arisen among many Arab groups because of this country's support of partition. The risk that American oil concessions in the Middle East might be endangered would also be enhanced in such a contingency.

If the great powers find it impossible to send troops to Palestine, it is doubtful—now that violence has broken out—that any small country will wish to undertake a venture which clearly would involve loss of lives. The question of sending any UN force to Palestine, of course, will be up to the Security Council. The Palestine issue, therefore, is likely to become another issue in which the right of veto, reserved to the great powers in the Security Council, will play its part.

**PALESTINE AND REALPOLITIK.** Unless the UN decision on partition is changed, a major crisis among the great powers may be in the offing with respect to Palestine. Today, as in the past, the tragic fact is that full justice for the inhabitants of the Holy Land may be disregarded while rivalry of outside nations mounts throughout the entire Middle East. Britain, heretofore the only foreign power involved in administering the League of Nations mandate in

Palestine, is on the point of withdrawing, however. On January 14 Britain advised the UN Commission that it expected to terminate its civilian administration on or before May 15. At the same time the Commission was requested not to appear in Palestine before May 1. This announcement has raised many fears among Zionists that Britain does not, in fact, intend to relinquish the mandate at all. But British officials have made it clear that the decision to withdraw is final, and on January 18 government leaders in Palestine requested that the administrative personnel, although not the official commissioners, of the UN group be sent immediately to the Holy Land. The decision to leave Palestine is reported to have been made by civilian authorities in the British cabinet, who overruled some military advisers favorable to retention of the mandate. Other evidence also indicates that Britain is sincere about quitting the Holy Land. Perhaps none is more convincing than the fact that London has energetically sought to strengthen its treaty relations with Arab states, as in the twenty-year agreement with Iraq, signed at Portsmouth on January 15.

Since Britain will no longer be directly involved in Palestine, the United States must necessarily play a more direct part in its future. Strategic interests will demand our active concern just as they have in the case of Greece, where the United States inherited the task of bolstering the Athens government after Britain's withdrawal. Logically American support of partition would demand that this country take the lead in implementing the UN decision. Logic and the realities of power politics, however, appear hard to reconcile in the Middle East. Thus when Palestine is seen in the context of the acute power struggle in the Mediterranean and the Middle East, its future still spells tragedy for its inhabitants.

GRANT S. MCCLELLAN

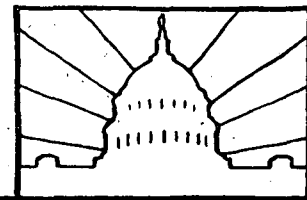
*Where I Stand!* by Harold E. Stassen. Garden City, Doubleday, 1947. \$2.00

In this little volume, Mr. Stassen states anew the platform on which he seeks nomination as Republican candidate for President of the United States. The tariff issue is not discussed, and only incidental reference is made to the problem of European recovery.

*International Trade and Commercial Policy*, by Lawrence W. Towle. New York, Harper, 1947. \$4.50

A comprehensive and well-balanced study of the world economy. Due attention is given to historical background, political realities and the refinements of theory. A good introduction for the general reader to the study of international economics.

# Washington News Letter



## INFLUENCE OF MILITARY PLAYS GROWING ROLE IN U.S. POLICY ABROAD

The Administration increasingly relies on American military strength to attain the primary objective of the country's foreign policy: the maintenance of peace under circumstances that will contain the international influence of the Soviet Union. There is a noticeable tendency in Washington to look on this country as the trustee for the essential interests of nations friendly to us, and on American unilateral diplomatic and military action as the safeguard of their foreign policies.

**EMPHASIS ON WAR PREPARATION.** A series of official actions and statements since the beginning of the year has made clear the growing importance of military power in the United States conduct of foreign affairs. "We believe that the United States can be an effective force for world peace only if it is strong," Truman said in his annual message to Congress on January 7. Three days later he revealed that "national defense remains the largest single governmental program" in the new 1949 budget, which sets aside \$11 billion for Army, Navy, and Air Force expenditures from a total of \$39.7 billion, and that "about 40 per cent of all federal civil employes will be engaged in defense activities." On the eve of its division last September into the Departments of the Army and Air Force, the War Department employed 450,000 persons, which is more than the entire civilian pay roll of the Federal government in 1933.

Because it "would be unwise to assume . . . that other nations will not have the planes and missiles capable of delivering a sustained attack on the United States mainland by the end of 1952," the Air Policy Commission recommended to the President that he increase the military budget for the coming fiscal year to \$13 billion, in order to equip the Air Force, the Air National Guard, and the Air Reserve with 18,081 planes. The research program of the Air Force on the single item of guided missiles already exceeds in cost the research programs of all the bureaus of the Agriculture Department, which is the largest single nonmilitary research agency in the Federal government. To ensure continuing emphasis on the role of the military in foreign affairs, the commission recommended appointment by the President of a body directed to report annually on the adequacy of the military establishment "in the light of the then military and political situation."

The growing trend toward reliance on military power has accelerated the transfer of the initiative

in actions affecting international relations from the State Department to the military agencies. "Naval forces are able, *without resort to diplomatic channels,\** to establish offshore anywhere in the world air fields completely equipped with machine shops, ammunition dumps, tank farms, warehouses, together with quarters and all types of accommodations for personnel," Fleet Admiral Chester W. Nimitz said on January 6 in retiring as chief of naval operations. After only cursory consultation with the State Department, the Air Force early this month decided to re-establish an air base in Libya, across the Mediterranean from Southern Europe. While the military authorities plan to use the base for transportation rather than operational purposes, it enables the United States to maintain land-based planes within striking distance of the Balkan states which, in the opinion of the Administration, are aiding the guerrilla forces in Greece.

**RESULTS UNCERTAIN.** It remains a matter of debate whether the Administration can promote peace by its present concentration on preparations for a possible war. Will this stress on weapons cow the Soviet leaders or arouse them to take serious countermeasures? Judging by World War II experience, the number of combat planes which the President's Air Commission would add to the air forces is insufficient to safeguard the country if armed conflict did occur. Moreover, the Administration is not certain that Congress will authorize the reinforcement of the armed forces with the men and materials necessary to support a foreign policy based on military power. Chairman Arthur H. Vandenberg of the Senate Foreign Relations Committee rebuked Secretary of the Army Kenneth C. Royall on January 14, when the latter said that the alternative to the European Recovery Program would be the enlargement of the military force by a return to conscription. Neither House nor Senate appears ready to pass the universal military training bill at this session of Congress. In a significant address reviewing American foreign policy in the wake of the London conference, John Foster Dulles made the following statement before the Foreign Policy Association in New York on January 17: "Military factors are not to be ignored, but in accordance with American tradition, let the military be the instrument of national policy, not itself the maker of that policy."

BLAIR BOLLES

\*Author's italics.